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USWEST

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Elridge A. Stafford
Executive Director-
Federal Regulatory

EX PARTE

July 24, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222, SC-1170
Washington, DC 20554

RE: Competitive Safeguards For Local Exchange Carrier
Provision of Commercial Mobile Radio Services,
WT Docket No. 96-162; Rules for New Personal
Communications Services, Gen. Docket No. 90-314

Dear Mr. Caton:

Late yesterday, Julia Kane of U S WEST, Kathy Zachem of Wilkinson Barker, Knauer & Quinn, and the undersigned met, on behalf of U S WEST, with Suzanne Toller, Legal Advisor to Commissioner Rachel Chong to discuss the above-referenced proceedings. Attached are handouts that were the basis for discussion at this meeting.

Because the meeting ended late in the day, this letter is being filed on the day after the meeting. In accordance with Commission Rule 1.1206(a)(2), an original and one copy of this letter and the attachment are being filed with you for inclusion in the public record.

Acknowledgment and date of receipt of this submission are requested. A copy of this transmittal letter is provided for this purpose.

Please call if you have questions.

Sincerely,

Elridge Stafford/dc

Attachment

cc: Ms. Suzanne Toller

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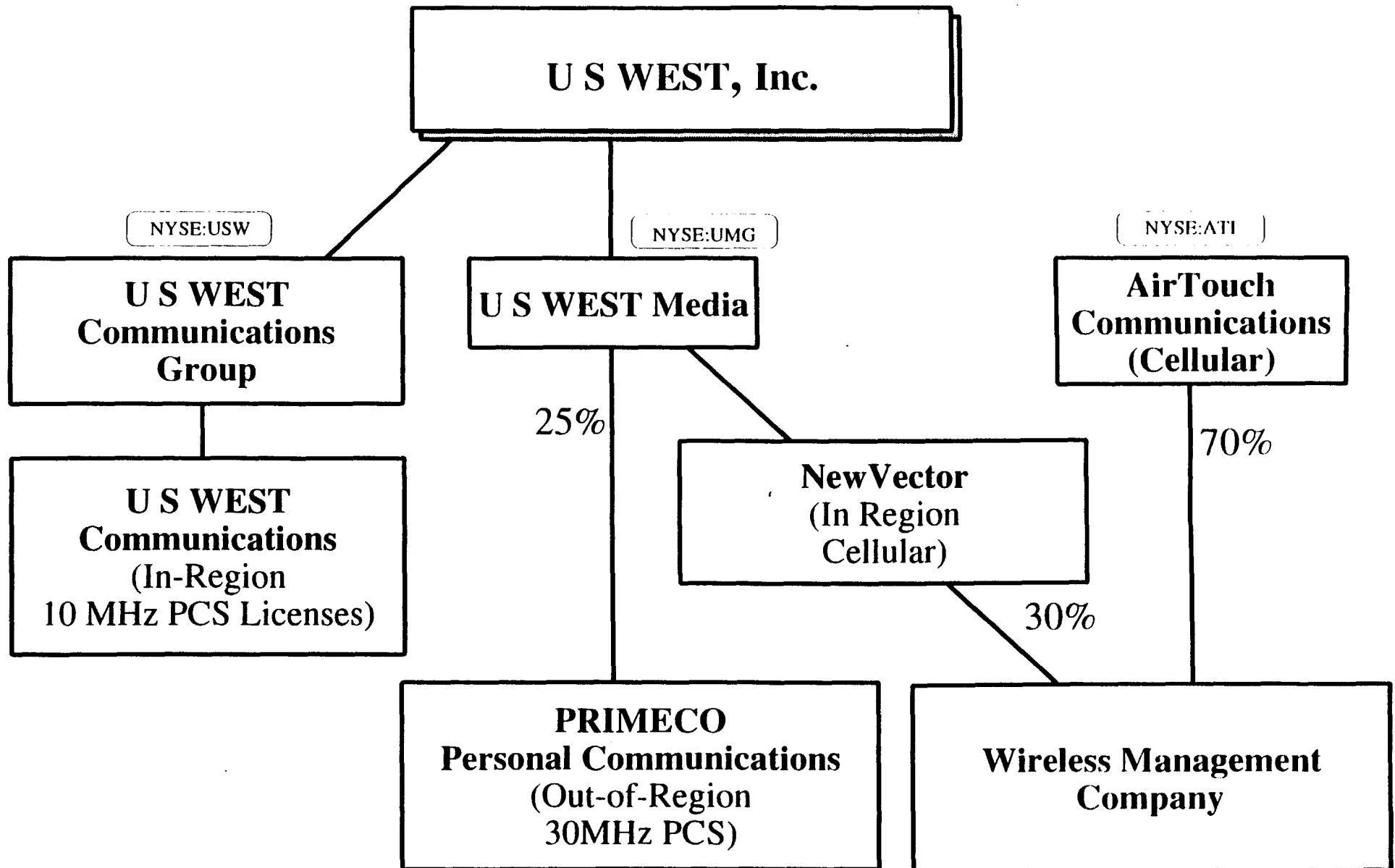
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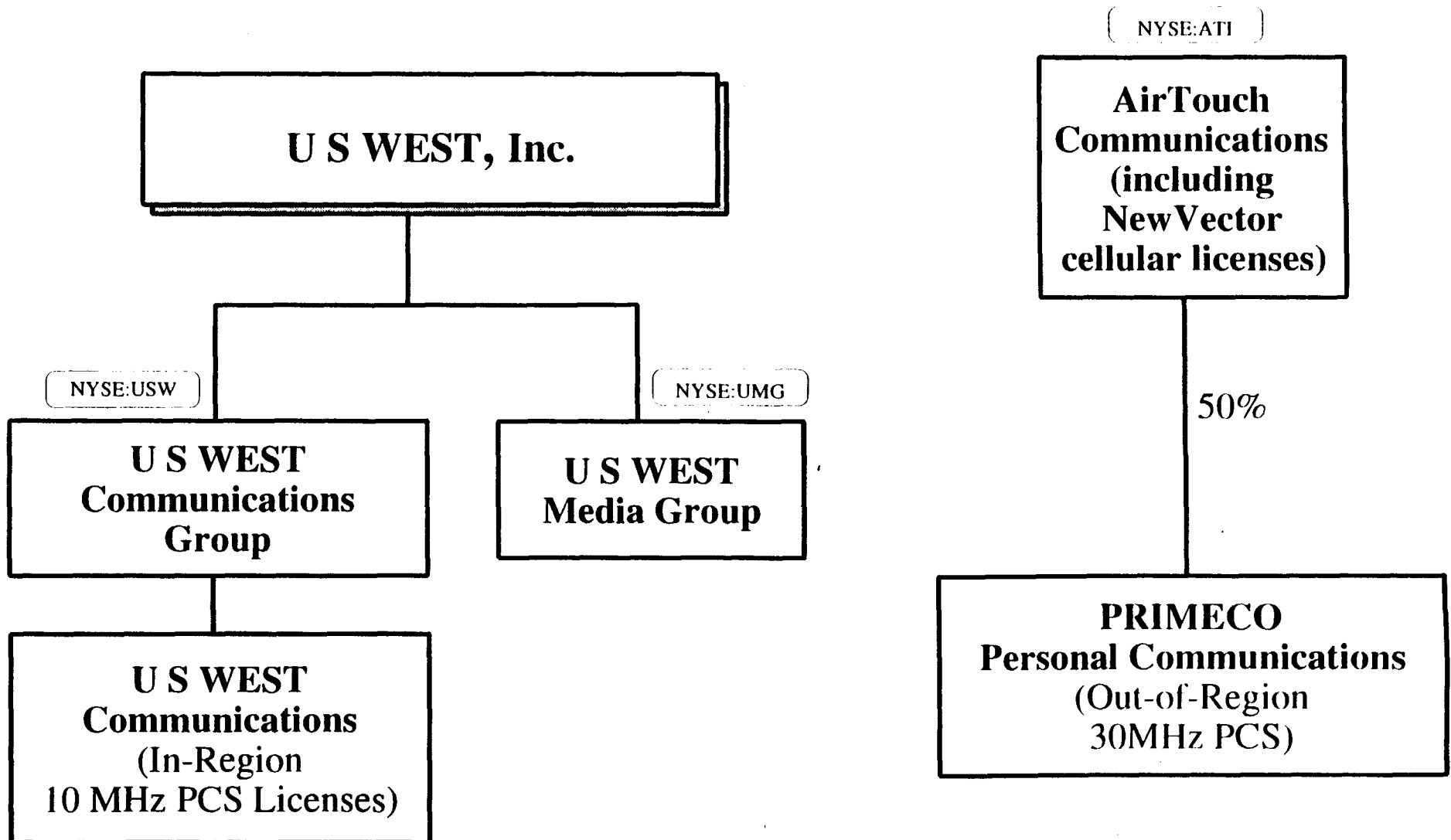
**FCC PRESENTATION
WT Docket No. 96-162
Gen Docket No. 90-314**

July 1997

PRESENT CORPORATE STRUCTURE



PLANNED FUTURE CORPORATE STRUCTURE



RESTRUCTURING RESULTS

- U S WEST will be completely divested of any interest in domestic cellular
- Wireless services will be provided using 10 MHz PCS licenses in U S WEST's 14-state region
 - ▶ The company recently acquired 53 PCS licenses in the D and E Block auction
 - ▶ The licenses cover nearly all in-region major markets
 - ▶ The company plans to begin service rollout this year

WIRELESS BUSINESS STRATEGY

- Offer PCS services which are complementary to wireline services
- Meet customer expectations by offering packages of landline and PCS services using:
 - ▶ single point of contact: same customer service channels
 - ▶ all services on a single bill
- As a late entrant in the CMRS market, U S WEST must offer PCS at lower prices with differentiating features:
 - ▶ avoid duplication of landline network capabilities
 - ▶ identify landline network capabilities which can be used for wireless offerings

PCS INTEGRATION: ASSUMPTION BASED ON FCC ORDERS (1 of 2)

- U S WEST Today: integrated PCS/landline structure with accounting safeguards
- Four years of consistent FCC rulings that PCS/landline operations can be integrated:

- ▶ 1993 Broadband PCS Order

- no structural separation required for LEC (including BOC) provision of PCS
- existing accounting safeguards were sufficient
- This decision concluded “**based on the record**” that the rules adopted were “**adequate to ensure that LECs do not behave in an anticompetitive manner.**”

No subsequent developments/findings warrant a different conclusion

- 1994 CMRS 2nd R&O reached the same conclusions for LEC provision of all CMRS services.

PCS INTEGRATION: ASSUMPTION BASED ON FCC ORDERS

(2 of 2)

- Business Plan being developed to accommodate proposed non-structural separate affiliate
 - ▶ 1996 CMRS Safeguards NPRM proposed *Competitive Carrier* separate affiliate requirements:
 - maintain separate books of account
 - not jointly own transmission or switching facilities that the LEC uses in the provision of telecommunications services in the same in-region market
 - Obtain exchange telephone company-provided communications services at tariffed rates and conditions

These *proposed* requirements, while more burdensome than the safeguards originally proposed, at least do “**not create the costs and administrative burdens of independent operation requirements and offer[s] carriers greater flexibility in structuring their competitive businesses.**”

TELECOMMUNICATIONS ACT OF 1996

- All provisions in the 1996 Act relating to BOC provision of CMRS place BOCs on a par with CMRS competitors
 - ▶ 271(b)(3) and 271(g) authorize the BOCs to provide interLATA CMRS, an activity previously prohibited
 - ▶ 272(a)(2), which lists those BOC services which Congress believes necessitate structural separation, expressly excludes BOC-provided interLATA CMRS
 - ▶ 601(d) authorizes BOCs to jointly market and sell CMRS in conjunction with telephone exchange services, an activity previously prohibited
 - ▶ 332(c)(8) eliminates the equal access requirements previously applicable only to BOC cellular services (*see also* 251(g))
- These provisions clearly demonstrate Congress' intent to give BOCs far greater flexibility in the provision of CMRS

CRITICAL PCS OPERATIONAL REQUIREMENTS

- Must be able to joint market and sell, consistent with 601(d), as defined in the *CMRS Safeguards NPRM*:
 - ▶ the advertising, promotion and sale, at a single point of contact, of the CMRS, telephone exchange service, exchange access, intraLATA and interLATA telecommunications, and information services provided by the BOC
- Must be able to continue to jointly plan, design and develop PCS/landline services and associated network architecture. This will facilitate and accelerate:
 - ▶ landline infrastructures friendly to wireless carriers
 - ▶ wireless local loop technologies
- These infrastructure developments will promote local exchange competition consistent with the 1996 Act interconnection requirements
- Structural separation, in contrast, will stifle the development of such competition
 - ▶ Development of competition in information services was stalled during the Computer II structural separation regime. Competition began to flourish under the Computer III integrated scheme